

IRS News Release

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Second Special Voluntary Disclosure Initiative Opens; Those Hiding Assets Offshore Face Aug. 31 Deadline

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WASHINGTON — The Internal Revenue Service announced today a special voluntary disclosure initiative designed to bring offshore money back into the U.S. tax system and help people with undisclosed income from hidden offshore accounts get current with their taxes. The new voluntary disclosure initiative will be available through Aug. 31, 2011.

“As we continue to amass more information and pursue more people internationally, the risk to individuals hiding assets offshore is increasing,” said IRS Commissioner Doug Shulman. “This new effort gives those hiding money in foreign accounts a tough, fair way to resolve their tax problems once and for all. And it gives people a chance to come in before we find them.”

The IRS decision to open a second special disclosure initiative follows continuing interest from taxpayers with foreign accounts. The first special voluntary disclosure program closed with 15,000 voluntary disclosures on Oct. 15, 2009. Since that time, more than 3,000 taxpayers have come forward to the IRS with bank accounts from around the world. These taxpayers will also be eligible to take advantage of the special provisions of the new initiative.

“As I’ve said all along, the goal is to get people back into the U.S. tax system,” Shulman said. “Combating international tax evasion is a top priority for the IRS. We have additional cases and banks under review. The situation will just get worse in the months ahead for those hiding assets and income offshore. This new disclosure initiative is the last, best chance for people to get back into the system.”

The new initiative announced today – called the 2011 Offshore Voluntary Disclosure Initiative (OVDI) -- includes several changes from the 2009 Offshore Voluntary Disclosure Program (OVDP). The overall penalty structure for 2011 is higher, meaning that people who did not come in through the 2009 voluntary disclosure program will not be rewarded for waiting. However, the 2011 initiative does add new features.

For the 2011 initiative, there is a new penalty framework that requires individuals to pay a penalty of 25 percent of the amount in the foreign bank accounts in the year with the highest aggregate account balance covering the 2003 to 2010 time period. Some taxpayers will be eligible for 5 or 12.5 percent penalties. Participants also must pay back-taxes and interest for up to eight years as well as paying accuracy-related and/or delinquency penalties.

Taxpayers participating in the new initiative must file all original and amended tax returns and include payment for taxes, interest and accuracy-related penalties by the Aug. 31 deadline.

The IRS is also making other modifications to the 2011 disclosure initiative.

Participants face a 25 percent penalty, but taxpayers in limited situations can qualify for a 5 percent penalty.

The IRS also created a new penalty category of 12.5 percent for treating smaller offshore accounts. People whose offshore accounts or assets did not surpass \$75,000 in any calendar year covered by the 2011 initiative will qualify for this lower rate.

The 2011 initiative offers clear benefits to encourage taxpayers to come in now rather than risk IRS detection. Taxpayers hiding assets offshore who do not come forward will face far higher penalty scenarios as well as the possibility of criminal prosecution.

“This is a fair offer for people with offshore accounts who want to get right with the nation’s taxpayers,” Shulman said. “This initiative offers them the chance to get certainty about how their case will be handled. Just as importantly, those who truly come in voluntarily can avoid criminal prosecution as well.”

The IRS is handling processing of the voluntary disclosures in centralized units to more efficiently process the applications.

The IRS will also launch a new section on www.irs.gov that includes the full terms and conditions on the 2011 Offshore Voluntary Disclosure Initiative, including an extensive set of questions and answers to help taxpayers and tax professionals. The web site also includes details on how people can make a voluntary disclosure.

In the first voluntary disclosure program in 2009, taxpayers faced up to a 20 percent penalty covering up to a six-year period. Taxpayers came forward with about 15,000 voluntary disclosures in that effort covering banks in more than 60 countries.

Shulman said IRS efforts in the international arena will only increase as time goes on.

“Tax secrecy continues to erode,” Shulman said. “We are not letting up on international tax issues, and more is in the works. For those hiding cash or assets offshore, the time to come in is now. The risk of being caught will only increase.”